

PUBLIC DISCLOSURE

August 5, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Edmonson County
Certificate Number: 296

109 S Main St
Brownsville, Kentucky 42210

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Chicago Regional Office

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Bank of Edmonson County's (BOEC's) outstanding Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the institution's performance.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and the assessments area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, the criterion did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

BOEC, headquartered in Brownsville, Kentucky, is a \$254.6 million subsidiary of Edmonson Bancshares, Inc., a one-bank holding company. The bank operates in Edmonson and Warren counties in southcentral Kentucky, located in the Bowling Green, Kentucky, Metropolitan Statistical Area (MSA). Examiners rated BOEC's CRA performance as "Satisfactory", using Interagency Small Institution Procedures, during the previous FDIC evaluation, dated September 16, 2019.

Operations

BOEC continues to operate a main office in Brownsville, Edmonson County, Kentucky, and two branch locations in Warren County, Kentucky. The bank has not opened or closed any branches since the previous evaluation, nor has the bank had any merger or acquisition activity.

BOEC continues to offer a variety of traditional loan and deposit products to consumer and business customers. Credit products include home mortgage, commercial, agricultural, and consumer loans, primarily focusing on residential lending. Deposit services including checking, savings, money market deposit accounts, individual retirement accounts, and certificates of deposit. Alternative banking services include internet and mobile banking, electronic bill pay, remote deposit capture, and three bank-owned automated teller machines (ATMs). Since the previous evaluation, the bank has discontinued the use of two stand-alone ATMs. Although one of these ATMs was located in a moderate-income census tract in Edmonson County, Kentucky, the bank's main office is within 10 miles of that location. Therefore, the removal of this ATM does not significantly affect individuals in this moderate-income census tract.

Ability and Capacity

The President signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) into law on March 27, 2020, and authorized the Small Business Administration (SBA) to guarantee loans under a new Paycheck Protection Program (PPP). The intent of the CARES Act was for the SBA to provide relief to America's small businesses expeditiously by giving all lenders delegated authority and streamlining the requirements of the regular 7(a) loan program. In addition, the President signed the PPP and Health Care Enhancement Act into law on April 24, 2020, and authorized additional funds for guarantees of PPP loans. Although BOEC did not originate PPP loans, the bank did facilitate PPP loans in a commission sharing arrangement with another institution. In 2020, BOEC assisted in originating 29 loans for approximately \$1.9 million, and in 2021, BOEC assisted in originating 283 loans for approximately \$2.6 million under the PPP program. The bank's assistance with PPP lending demonstrates the bank's willingness to meet the credit needs of its community by moving quickly to provide small businesses relief during the COVID-19 pandemic (pandemic).

As reported on the March 31, 2022, Reports of Condition and Income (Call Report), assets totaled approximately \$254.6 million, including total loans of approximately \$156.9 million, total securities of \$75.8 million, and total deposits of \$224.5 million. The following table illustrates the bank's loan portfolio as of March 31, 2022.

| Loan Portfolio Distribution as of 03/31/2022 | | |
|---|-----------------|-------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 20,050 | 12.8 |
| Secured by Farmland | 26,471 | 16.8 |
| Secured by 1-4 Family Residential Properties | 63,225 | 40.3 |
| Secured by Multifamily (5 or more) Residential Properties | 3,458 | 2.2 |
| Secured by Nonfarm Nonresidential Properties | 33,242 | 21.2 |
| Total Real Estate Loans | 146,446 | 93.3 |
| Commercial and Industrial Loans | 3,869 | 2.5 |
| Agricultural Production and Other Loans to Farmers | 847 | 0.5 |
| Consumer Loans | 5,711 | 3.6 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 71 | 0.1 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 156,944 | 100 |
| <i>Source: March 31, 2022 Call Report</i> | | |

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate the bank's performance. The bank's assessment area is located in southcentral

Kentucky, and consists of the four census tracts of Edmonson and three adjacent census tracts in Warren County. The bank's assessment area delineation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- and moderate-income (LMI) areas.

Economic and Demographic Data

The assessment area includes seven census tracts. One census tract in Edmonson County consists of Mammoth Cave National Park and does not have an income designation. Additionally, Edmonson County has two moderate-income and one middle-income census tracts. The three Warren County census tracts included in the assessment area include one upper-income and two middle-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|--------|---------------|----------------------|------------------|-----------------|---------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 7 | 0.0 | 28.6 | 42.9 | 14.3 | 14.3 |
| Population by Geography | 29,662 | 0.0 | 20.0 | 61.5 | 18.5 | 0.1 |
| Housing Units by Geography | 14,229 | 0.0 | 25.9 | 57.0 | 17.0 | 0.0 |
| Owner-Occupied Units by Geography | 8,662 | 0.0 | 22.2 | 56.2 | 21.6 | 0.0 |
| Occupied Rental Units by Geography | 3,321 | 0.0 | 11.0 | 78.1 | 10.9 | 0.0 |
| Vacant Units by Geography | 2,246 | 0.0 | 62.2 | 29.3 | 8.4 | 0.0 |
| Businesses by Geography | 2,135 | 0.0 | 14.1 | 66.8 | 18.9 | 0.2 |
| Farms by Geography | 178 | 0.0 | 14.6 | 44.9 | 39.9 | 0.6 |
| Family Distribution by Income Level | 8,594 | 21.7 | 20.0 | 21.2 | 37.2 | 0.0 |
| Household Distribution by Income Level | 11,983 | 22.2 | 14.8 | 20.6 | 42.4 | 0.0 |
| Median Family Income MSA - 14540 Bowling Green, KY MSA | | \$55,109 | Median Housing Value | | | \$102,475 |
| Families Below Poverty Level | | 12.4% | Median Gross Rent | | | \$689 |
| Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification. | | | | | | |

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units by tract income category. The assessment area is largely rural and has a population of roughly 29,662. According to the 2015 American Community Survey (ACS) data, the assessment area has 14,229 housing units, of which 60.9 percent are owner-occupied, 23.3 percent are rental units, and 15.8 percent are vacant. There are no low-income census tracts in the assessment area; therefore, examiners will focus on the percentage of loans within the moderate-income tracts.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by the borrower's gross annual revenue (GAR) level. According to June 2021 D&B data, there were 2,135 businesses located within the assessment area. GARs for these businesses include 85.7 percent with \$1 million or less, 4.8 percent with more than \$1 million, and 9.5 percent

with unknown revenues. The most dominant industries in the assessment area include the services industry at 29.5 percent, non-classifiable establishments at 20.8 percent, and retail trade at 12.9 percent. In addition, of area employers, 62.0 percent have four or less employees and 90.5 percent operate from a single location.

According to the June 2021 D&B data, there were 178 farms located within the assessment area. GARs for these farms include 98.3 percent with \$1 million or less, 1.1 percent with more than \$1 million, and 0.6 percent with unknown revenues. The analysis of small farm loans under the borrower profile criterion compares the distribution of farms by GAR level. Agriculture, forestry, and fishing represent 7.7 percent of industries in the assessment area.

Data obtained from the U.S. Bureau of Labor and Statistics indicates the unemployment rates for the state of Kentucky was 4.2 percent for March 2022, which is slightly higher than the National unemployment rate of 3.6 percent. The unemployment rates significantly increased in 2020 due to the onset of the COVID-19 Pandemic. The following table illustrates relevant unemployment rates during the evaluation period.

| Unemployment Rates | | | | |
|---|------|------|------|------------|
| Area | 2019 | 2020 | 2021 | March 2022 |
| | % | % | % | % |
| Edmonson County | 4.7 | 7.5 | 5.1 | 5.1 |
| Warren County | 3.7 | 6.4 | 4.3 | 3.6 |
| State of Kentucky | 4.1 | 6.4 | 4.7 | 4.2 |
| National Average | 3.7 | 8.1 | 3.9 | 3.6 |
| <i>Source: Bureau of Labor Statistics</i> | | | | |

Examiners used the FFIEC-updated Median Family Income (MFI) ranges to evaluate home mortgage lending under the Borrower Profile criterion. The following table provides the MFI levels for the Bowling Green, Kentucky, MSA.

| Bowling Green, KY MSA MFI | | | | |
|---------------------------|-------------|-------------------------|------------------------|----------------|
| MFI | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| 2020 (\$63,400) | <\$31,700 | \$31,700 to <\$50,720 | \$50,720 to <\$76,080 | ≥\$76,080 |
| 2021 (\$65,000) | <\$32,500 | \$32,500 to <\$52,000 | \$52,000 to <\$78,000 | ≥\$78,000 |
| <i>Source: FFIEC</i> | | | | |

Competition

The assessment area is highly competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 20 banks operated 58 offices in Edmonson and Warren counties. Of these institutions, BOEC ranked eighth, with 5.7 percent of market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 143 lenders reported 1,291 residential mortgage loans

originated or purchased. BOEC ranked second out of this group of lenders, with a market share of 6.7 percent.

The bank is not required to collect or report its small business loan data, and it has not elected to do so; therefore, the analysis of small business loans does not include comparisons against aggregate data. However, the aggregate data is useful to gauge the level of competition for small business loans. Aggregate data for 2020 indicates that 83 lenders reported 2,766 small business loans in the assessment area, indicating a high degree of competition for this product.

Community Contact

As a part of the evaluation process, examiners contact organizations in the assessment area to help identify local credit needs and the responsiveness of financial institutions to those needs.

Examiners contacted a local government representative who is familiar with the demographics of the area to discuss the credit needs of the assessment area. The contact stated housing stock in the area is very low, and that there are several rental properties in the area. However, the contact stated builders are working on a couple of large subdivisions in Edmonson County and these will be complete by the end of the year, with approximately 200 new homes. The contact also stated that the immediate area around Brownsville, Kentucky is elderly, estimating 70 percent of local residents are over the age of 62. The contact was complementary of the local community banks, including BOEC, stating the bank was a sponsor with the volunteer fire department recently. BOEC worked with the fire department to provide free smoke detectors to local residents.

Credit Needs

Based on the discussion with the community contact, institution management, and demographic and economic data, examiners determined that the primary credit needs in the assessment area are small business and home mortgage lending.

SCOPE OF EVALUATION

General Information

The evaluation period is from the previous evaluation, dated September 16, 2019, to the current performance evaluation of August 5, 2022. Examiners used the Interagency Small Institution CRA Examination Procedures, which includes the Lending Test, to evaluate the bank's performance. Examiners used full-scope procedures to assess the institution's performance in the assessment area.

Activities Reviewed

Examiners considered the bank's business strategy and the number volume of loans originated during the evaluation period, major product lines, and assessment area credit needs. Examiners determined the bank's major product lines are home mortgage, small business, and small farm loans. Examiners gave more weight to home mortgage lending than any other product lines since this is the bank's major product line. The most recent March 31, 2022, Call Report indicated home mortgage loans are the primary credit product with 40.3 percent loan portfolio composition. Commercial loans are the second most prominent product with 23.7 percent. Farm loans are the third most prominent product with 17.4 percent. Consumer loans do not represent a major product line; therefore, they provided no material support for conclusions or ratings and examiners will not present them. Bank records indicated the lending focus and product mix remained consistent

throughout the evaluation period.

Examiners considered all home mortgage loans originated in 2019, 2020, and 2021, using the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 130 home loans totaling approximately \$14.7 million in 2019, 120 home loans totaling approximately \$15.8 million in 2020, and 109 home loans totaling approximately \$15.8 million in 2021. This evaluation presents information for 2020, the most recent year for which aggregate data is available. Examiners did not present the 2019 results, because they yielded conclusions consistent with the 2020 performance. The 2015 ACS and 2020 HMDA aggregate data served as a standard of comparison in analyzing the bank's home mortgage lending.

Examiners used BOEC's records to identify small business and small farm lending activities. In 2021, the bank originated 97 small business loans, totaling approximately \$6.0 million, of which examiners sampled 41 loans totaling approximately \$2.5 million. The sample is representative of the bank's performance during the entire evaluation period. D&B data for the corresponding year provided a standard of demographic comparison for small business lending.

In 2021, the bank originated 50 small farm loans, totaling approximately \$2.9 million, of which examiners sampled 30 loans totaling approximately \$2.1 million. The sample is representative of the bank's performance during the entire evaluation period.

Although examiners reviewed and presented the number and dollar volume of home mortgage, small business, and small farm loans for the Lending Test, examiners emphasized performance by number of loans, because this is a better indicator of the number of individuals, small businesses, and small farms served.

In evaluating the Geographic Distribution and Borrower Profile criteria, examiners only evaluated loans extended within the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BOEC reflects excellent performance under the Lending Test. Geographic Distribution and Borrower Profile primarily support this conclusion.

LTD Ratio

BOEC's LTD ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The institution's LTD ratio, calculated from the Call Report data, averaged 77.5 percent over the previous 11 calendar quarters from September 30, 2019, to March 31, 2022. The ratio ranged from a high of 89.6 percent as of September 30, 2019, to a low of 69.2 percent as of March 31, 2022.

Examiners selected similar institutions based on their asset size, geographic location, and lending focus as a comparison. As shown in the following table, BOEC's ratio compares favorably to all four similarly situated institutions.

| LTD Ratio Comparison | | |
|--|---|----------------------------------|
| Bank | Total Assets as of 03/31/2022 (\$000s) | Average Net LTD Ratio (%) |
| Bank of Edmonson County | 254,557 | 77.5 |
| Similarly-Situated Institution #1 | 256,495 | 63.5 |
| Similarly-Situated Institution #2 | 299,317 | 73.1 |
| Similarly-Situated Institution #3 | 258,268 | 76.8 |
| Similarly-Situated Institution #4 | 265,391 | 70.2 |
| <i>Source: Call Report 09/30/2019 – 03/21/2022</i> | | |

Assessment Area Concentration

As shown in the following table, the institution made a majority of its home mortgage, small business, and small farm loans by number and dollar volume within the assessment area.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|------|---------|------|-------|---------------------------------|------|---------|------|----------------|
| Loan Category | Number of Loans | | | | Total | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2019 | 95 | 73.1 | 35 | 26.9 | 130 | 10,475 | 71.2 | 4,245 | 28.8 | 14,720 |
| 2020 | 87 | 72.5 | 33 | 27.5 | 120 | 9,293 | 58.7 | 6,545 | 41.3 | 15,838 |
| 2021 | 77 | 70.6 | 32 | 29.4 | 109 | 8,128 | 51.4 | 7,679 | 48.6 | 15,807 |
| Subtotal | 259 | 72.1 | 100 | 27.9 | 359 | 27,896 | 60.4 | 18,469 | 39.6 | 46,365 |
| Small Business | | | | | | | | | | |
| 2021 | 34 | 82.9 | 7 | 17.1 | 41 | 1,292 | 52.5 | 1,169 | 47.5 | 2,461 |
| Small Farm | | | | | | | | | | |
| 2021 | 26 | 86.7 | 4 | 13.3 | 30 | 1,265 | 60.9 | 811 | 39.1 | 2,076 |
| Subtotal | 60 | 84.5 | 11 | 15.5 | 71 | 2,557 | 56.4 | 1,980 | 43.6 | 4,537 |
| Source: Bank Data. | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank supports this conclusion with the excellent performance in home mortgage, small business, and small farm lending.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. As shown in the following table, lending in the moderate-income census tracts exceeded the aggregate lending data by 21.1 percentage points and exceeded the percentage of owner-occupied housing units by 14.6 percentage points, suggesting strong penetration in excess of expectations in this income segment.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|-----------------------------------|------------------------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | 22.2 | 15.7 | 32 | 36.8 | 2,936 | 31.6 |
| Middle | 56.2 | 63.1 | 44 | 50.6 | 5,183 | 55.8 |
| Upper | 21.6 | 21.2 | 11 | 12.6 | 1,175 | 12.6 |
| Total | 100.0 | 100.00 | 87 | 100.0 | 9,294 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Business Loans

The geographic distribution of sampled small business loans reflects excellent dispersion throughout the assessment area. Examiners focused on the comparison to the percent of businesses. As shown in the table below, the bank originated 58.8 percent of sampled small business loans in the moderate-income census tracts, exceeding the percentage of small businesses by 44.7 percentage points, suggesting strong penetration in excess of expectations in this income segment.

| Geographic Distribution of Small Business Loans | | | | | |
|---|-----------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Moderate | 14.1 | 20 | 58.8 | 997 | 77.2 |
| Middle | 66.8 | 9 | 26.5 | 193 | 14.9 |
| Upper | 18.9 | 5 | 14.7 | 102 | 7.9 |
| N/A | 0.2 | 0 | 0 | 0 | 0 |
| Total | 100.0 | 34 | 100.0 | 1,292 | 100.0 |
| <i>Source: 2021 D&B Data; Bank Data</i> | | | | | |

Small Farm Loans

The geographic distribution of sampled small farm loans reflects excellent dispersion throughout the assessment area. Examiners focused on the comparison to the percent of farms. As shown in the table below, the bank originated 46.2 percent of sampled small farm loans in the moderate-income census tracts, exceeding the percentage of small farms by 31.6 percentage points, suggesting strong penetration in excess of expectations in this income segment.

| Geographic Distribution of Small Farm Loans | | | | | |
|---|--------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Farms | # | % | \$(000s) | % |
| Moderate | 14.6 | 12 | 46.2 | 807 | 63.8 |
| Middle | 44.9 | 10 | 38.5 | 417 | 33.0 |
| Upper | 39.9 | 4 | 15.3 | 41 | 3.2 |
| N/A | 0.6 | 0 | 0 | 0 | 0 |
| Total | 100.0 | 26 | 100.0 | 1,265 | 100.0 |
| <i>Source: 2021 D&B Data; Bank Data</i> | | | | | |

Borrower Profile

BOEC's distribution of loans to borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the number of home mortgage loans to LMI borrowers, and small businesses and small farms with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including LMI borrowers, is excellent. Examiners focused on the comparison with the percentage of families within each income level according to 2015 ACS data. The table below illustrates the bank's home mortgage lending performance by borrower income levels within the assessment area.

BOEC's lending to low-income borrowers was significantly higher (9.6 percent) than aggregate performance within the assessment area. Additionally, the bank's performance with moderate-income individuals is on par with aggregate performance.

The bank's lending to low-income borrowers trails the percentage of low-income families in the assessment area. This category includes 12.4 of the assessment area's families with incomes below the poverty level. These families likely face difficulty in qualifying and/or servicing debt in amounts sufficient to finance homes in the assessment area. BOEC's lending to moderate-income borrowers slightly trails the aggregate and demographic data by 1.1 and 1.6 percent, respectively in 2020. Overall, the bank's home mortgage lending to LMI individuals is excellent.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 21.7* | 6.5 | 14 | 16.1 | 616 | 6.6 |
| Moderate | 20.0 | 19.5 | 16 | 18.4 | 1,256 | 13.5 |
| Middle | 21.2 | 23.0 | 12 | 13.8 | 1,219 | 13.1 |
| Upper | 37.2 | 32.2 | 41 | 47.1 | 5,006 | 53.9 |
| Income Not Available | 0.0 | 18.8 | 4 | 4.6 | 1,196 | 12.9 |
| Total | 100.0 | 100.0 | 87 | 100.0 | 9,293 | 100.0 |
| <i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%. *Families below poverty equal 12.4%.</i> | | | | | | |

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. In 2021, BOEC originated all loans in the sample to businesses with GARs of \$1 million or less. When compared to the demographics of businesses in this revenue category in the assessment area, this reflects excellent performance.

Small Farm Loans

The distribution of small farm loans reflects excellent penetration among farms of different sizes. In 2021, BOEC originated all loans in the sample to farms with GARs of \$1 million or less. When compared to the demographics of farms in this revenue category in the assessment area, this reflects excellent performance.

Response to Complaints

The bank did not receive any CRA-related complaints since the prior evaluations; therefore, this criterion did not affect the Lending Test rating.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.